



In the

**Reserve Bank of India**  
Foreign Exchange Department  
Fort Glacis, No.16, Rajaji Salai  
Chennai 600 001

Present

**Arundhati Mech**  
**Regional Director**

Date : March 10, 2017  
**C.A.602/2016**

In the matter of

**M/s. Leitwind Shriram Manufacturing Ltd.**

Sigappi Achi Building, 4<sup>th</sup> Floor,  
18/3 Rukmini Lakshmipathi Road,  
Egmore, Chennai-600 008

**(Applicant)**

In exercise of the powers under section 15 (1) of the Foreign Exchange Management Act, 1999 and the Regulations/Rules/Notifications/orders made there under, I pass the following

**Order**

The applicant has filed a compounding application dated November 07, 2016 (received at Reserve Bank on November 14, 2016) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued there under. The contraventions sought to be compounded are



(i) delay in reporting of inflow of funds received from a person resident outside India for allotment of shares (ii) delay in submission of Form FC-GPR on allotment of shares with Reserve Bank and (iii) delay in allotment of shares to the overseas investor in terms of Paragraph 9 (1) A, Paragraph 9 (1) B and Paragraph 8 respectively, of Schedule I to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000 and as amended from time to time (hereinafter referred to as Notification No. FEMA 20/2000-RB).

2. The relevant facts of the case are as follows: The applicant company was incorporated on January 10, 2007 under the provisions of the Companies Act, 1956 (Registration No. U31101TN2007PLC061993) and is engaged in Business of manufacture of engines and turbines, except aircraft, vehicle and cycle engines. The applicant received foreign inward remittances from M/s.Leitwind BV, Netherlands towards subscription to equity shares and reported the same to the Reserve Bank as below:

<b>Sl. No.</b>	<b>Amount of Inward Remittance in Rs.</b>	<b>Date of receipt</b>	<b>Reported to RBI on</b>
1	5,75,50,000	22.03.2007	11.04.2007
2	5,56,80,000	25.09.2007	01.10.2007
3	5,99,00,000	28.02.2008	14.03.2008
4	6,64,10,000	29.05.2008	11.06.2008
5	2,06,30,500	26.06.2008	10.07.2008
6	6,40,68,800	11.11.2009	25.11.2009
7	22,58,24,000	02.12.2010	18.01.2011
8	75,93,300	11.01.2011	18.02.2011
9	13,77,00,000	25.10.2011	09.01.2012
10	16,32,13,063	09.07.2014	13.08.2014
11	41,33,48,111	22.07.2014	04.08.2014
12	44,38,95,577	12.08.2014	18.08.2014
13	14,15,73,983	25.06.2015	07.07.2015

The applicant reported receipt of remittances to the Reserve Bank on dates indicated above and with delay ranging from four days to one month 15 days approximately beyond the stipulated time of 30 days in respect of the remittances at Sr. Nos. 7 to 10.



Whereas, in terms of paragraph 9 (1) A of Schedule I to Notification No. FEMA 20/2000-RB, an Indian company issuing shares or convertible debentures in accordance with these Regulations should report to the Reserve Bank of India as per the prescribed procedure not later than 30 days from the date of receipt of the amount of consideration.

3. The company allotted equity shares and filed FC-GPR as indicated below:

Sl. No.	No. of shares/CCPs allotted	Face Value (in Rs.)	Amount (INR)	Date of allotment of shares	Reported to RBI on
1	5750000	10	5,75,00,000	29.03.2007	10.04.2007
2	5570000	10	5,57,00,000	12.02.2008	12.06.2008
3	5990000	10	5,99,00,000	29.03.2008	28.07.2008
4	8707050	10	8,70,70,500	17.09.2008	30.10.2008
5	6406880	10	6,40,68,800	28.11.2009	29.01.2010
6	12838000	10	12,83,80,000	23.01.2010	06.08.2010
7	22583600	10	22,58,36,000	14.12.2010	12.01.2011
8	759330	10	75,93,300	21.01.2011	21.02.2011
9	13770000	10	13,77,00,000	15.12.2011	09.01.2013
10	101020000	10	101,02,00,000	12.08.2014	03.09.2014
11	14157398	10	14,15,73,980	20.07.2015	03.08.2015

The applicant filed the form FC-GPR as indicated above with delay ranging from one day to 11 months 25 days approximately beyond the prescribed limit of 30 days in respect of the allotments at Sr. Nos. 2 to 6, 8 and 9. Whereas in terms of paragraph 9 (1) B of Schedule I to Notification No. FEMA 20/2000-RB, an Indian company issuing shares in accordance with these Regulations has to submit to Reserve Bank a report in Form FC-GPR along with documents prescribed therein within 30 days from the date of issue of shares to person resident outside India.

4. The company has allotted 5570000 and 5990000 shares of ₹10/- each on 12.02.2008 and 17.09.2008 respectively. The shortfall amounting to ₹ 20,000/- and ₹ 30,000/- respectively in the above allotments was utilized from the remittance received on 22.03.2007 without prior approval of Reserve Bank. Thus, there is a delay of two months 14 days and nine months 19 days respectively in the allotment of shares beyond the stipulated period of 180 days. Further, the balance share application money



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(received on 02.07.2007) in the books of M/s Shriram Leitwind Ltd. (the merged entity) was utilized by the applicant company for allotment of shares on 14.12.2010 without prior approval of Reserve Bank. Thus there is a delay of two years 11 months 12 days in allotment of shares beyond the prescribed period of 180 days. Whereas in terms of paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, read with AP (Dir Series) Circular No.20 dated December 14, 2007 the shares have to be issued/amount refunded within 180 days from the date of receipt of the inward remittance.

**5.** The applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated March 06, 2017 for further submission in person and/or producing documents, if any, in support of the application. The applicant appeared for the personal hearing on March 10, 2017 during which Shri R. Sridharan, Vice President, Legal and Secretarial, Shriram Group, and Shri Ashok Kumar Anchalia, Advocate and Counsel represented the applicant. The authorized representatives of the applicant admitted the contraventions as stated in para 2 to 4 above committed by the applicant for which compounding has been sought. During the personal hearing, it was submitted that the delays were unintentional. In view of the above, they requested to take a lenient view in the matter. The application for compounding is, therefore, being considered on the basis of the averments made in the application as well as other documents and submissions made in this context by the applicant during personal hearing.

**6.** I have given my careful consideration to the documents on record and submission made by the applicant in the compounding application and during the personal hearing. Accordingly, I hold that the applicant has contravened the following FEMA provisions issued in terms of:

- (a)** Paragraph 9 (1) A of Schedule 1 to Notification No. FEMA 20/2000-RB due to delay in reporting of receipt of inward remittances towards subscription of equity shares as detailed in paragraph 2 above. The contravention relates to an amount



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of ₹ 53,43,30,363/- and the duration ranging from four days to one month 15 days approximately;

(b) Paragraph 9 (1) B of Schedule 1 to Notification No. FEMA 20/2000-RB due to delay in submission of Form FC-GPR to the Reserve Bank after issue of shares to persons resident outside India. The contravention relates to an amount of ₹ 54,04,12,600/- and the duration of contravention ranging from one day to 11 months 25 days approximately; and

(c) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB due to delay in allotment of shares to the overseas investor without prior approval of Reserve Bank. The contravention relates to an amount of ₹ 62,000/- and the duration of contravention ranging from two months 14 days to two years 11 months 12 days approximately.

7. In terms of Section 13 of the FEMA, any person contravening any provision of the Act shall be liable to a penalty up to thrice the sum involved in such contravention upon adjudication. However, taking into account the relevant facts and circumstances of the case as stated in the foregoing paragraphs, I am persuaded to take a lenient view on the amount for which the contraventions are to be compounded and I consider that an amount

of ₹ 2,41,720/- (Rupees two lakh forty one thousand seven hundred and twenty only) will meet the ends of justice.

8. Accordingly, I compound the admitted contraventions namely, the contraventions of paragraphs 9 (1) A, 9 (1) B and 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, by the applicant on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount of ₹2,41,720/- (Rupees two lakh forty one thousand seven hundred and twenty only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange



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Department, Fort Glacis, No.16, Rajaji Salai, Chennai - 600 001 by a demand draft drawn in favour of the “Reserve Bank of India” and payable at Chennai within a period of **15 days** from the date of this order. In case of failure to deposit the compounded amount within the above mentioned period, Rule 10 of the Foreign Exchange (Compounding Proceedings) Rules, 2000 dated May 3, 2000 shall apply.

The application is disposed of accordingly.

Dated this Tenth day of March, 2017.

**Sd/-**

**Arundhati Mech**  
**Regional Director**